The Mortgage Banker

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President R. O. Deming, Jr. congratulates the nominees. Left to right, Milton T. MacDonald, nominee for MBA president 1950-51; President Deming; and Aubrey M. Costa, nominee for MBA vice president 1950-51. (See page 7)

In this Issue HOW STABLE IS THE MORTGAGE STRUCTURE?
RESEARCH COMMITTEE SUGGESTS WAYS FOR
CLOSER INVESTOR-CORRESPONDENT RELATION

President's Page

Your Association's officers, regional vice presidents and governors have just concluded our regular Spring meeting in Chicago and, significantly, it came at a time when both our industry and our Association is setting new high records in almost every activity. At this mid-1950 mark, it is interesting to recall some of the predictions made at the beginning of the year. The most optimistic forecasts have been fulfilled and in many respects have been surpassed. The first half of 1950 has been one of the most active similar periods in the history of mortgage lending; and judging from the predictions freely made at our June meeting, the same trend will continue through the year—with some variations resulting from the government's program of course. Federal regulations are the big question mark of the future.

R. O. Deming, Jr.

We have attempted to keep our membership fully and quickly informed concerning the many fast-moving developments which have taken place in the national capital during the past few months. It has indeed been a busy time and the Association is deeply indebted to the chairmen of the various committees, including W. A. Clarke, Dean Hill, Milton MacDonald and many other members who have given so freely and generously of their time and efforts to assist in the Association's Washington activities.

The mortgage profession still has many hurdles yet to overcome in the future. Some of these may not be so apparent during the next six to eight months but eventually will appear:

» *First*, there is a probability that we may have state competition for veteran and FHA loans. The new law as passed by Congress pertaining to VA loans now permits the VA to guarantee loans that states might make to veterans. Today only Mississippi and Connecticut stand ready to make VA guaranteed loans. However, California and Oregon are prepared to make loans to veterans but have not yet changed their regulations to include VA guaranty. The last two make direct conventional loans. Should this pattern expand to additional states, mortgage lenders might be faced with very severe competition.

» *Second*, the as yet unpublished regulations by both FHA and VA, as required by the new law, can offer quite a severe headache to private industry. Should the new regulations be so restrictive that private lenders could not operate on a break-even basis, then our industry could be accused of failure to adequately serve the borrowing public, thus adding more fuel to the demand for direct government loans on the part of many federal agencies. We, as a group and in our own individual capacities, must somehow make these loans if at all possible in order to avoid the possible charge that private industry cannot do the job.

» *Third*, we as a group sponsored the suggestion for privately owned federally supervised corporations to act as a secondary marketing agency along the lines that Fanny May has acted in the past. Under our suggestions certain safeguards for this operation were proposed, one of which was a flexible interest rate upon FHA and GI loans up to a maximum of 4 per cent interest. This flexibility was to be tied to the government bond rate. This suggestion was not accepted and VA rate has been frozen at 4 per cent, thus making our program completely inoperative. Federal legislation, however, is being introduced which will carry forward a portion of our ideas; but, in the opinion of your officers and committees working on this project, the program is unworkable as now proposed. Your representatives have voiced the expression to proper authorities in Washington that without the flexibility of interest rate our program could not be successful and that we could not expect our members to attempt to operate too widely under the new law since there would be no hope of profit and there might be considerable loss. It is indeed to be regretted that this situation has come about and that our program for private industry to share in relieving the national treasury of the necessity of making this secondary market has been ignored as political expediency.

» *Fourth*, we are still not advised whether Fanny May is to be shifted from RFC to the Housing and Home Finance Agency but we assume that this will be done and that some of Fanny May's regulations may be changed which might or might not be for the better.

» *Fifth*, the old Frazier-Lemke Farm Law which was passed as a moratorium law and made part of the Bankruptcy Act in 1934 has been revived and has passed the Senate. It is now in the House Judiciary Committee. While this law is applicable only to farm mortgage indebtedness, it could rather readily be amended so as to include city mortgages. I suggest that our members restudy this Frazier-Lemke Law.

Our Membership Committee has been exceedingly active and we now have approximately 215 new members or applications for membership. E. R. Haley, Membership Chairman, expresses the opinion that by continued activity on the part of his Committee we will, prior to August 31 the end of our fiscal year, increase this number materially.

George Dovenmuehle, chairman of the Membership Qualifications Committee, has done a splendid job this year. In fact, the Board, while in session, passed a motion of commendation for each of the Association Committees and the work they have done this year.

Guy T. O. Hollyday, Research Committee Chairman, is doing an outstanding job which has required a tremendous amount of work on the part of all of his committee members as well as that done by Frank J. McCabe, Jr., of our Chicago Office.

The Mortgage Banking Seminar in Chicago has attracted the greatest number of registrations we have ever had and it appears that we will be forced to reject some of the late applications.

Our Clinic Committee under W. A. Clarke has done an excellent job and I personally feel greatly indebted to Bill Clarke and Milt MacDonald for having shouldered many of the tasks which would have been mine this year if it had not been for my accident. Our New York and Chicago Conferences were outstanding this year and had combined attendance of more than 1,000, while our Miami, Des Moines and Denver Clinics drew more than 400.

The Nominating Committee reported at the Board Meeting after spending two days considering their selections. Both Milton T. MacDonald for President and Aubrey M. Costa, for Vice President, are excellent selections. Both men are among the most capable and experienced mortgage men in the country and have given liberally of their time to further the Association's growth over a long period of years. I consider MBA is indeed fortunate to have such outstanding men to turn to for leadership.

As we go into the last half of 1950 the outlook for the near term is excellent insofar as our own business is concerned but a note of caution I believe is in order. There is danger that easy credit may cause over-expansion in the building industry. This, with expanding consumer credit, may bring about difficulties on the part of borrowers to make payments upon their debts and to continue to purchase new goods. Our nation has experienced probably the greatest degree of business activity lead by a tremendous demand for new housing at extremely attractive rates, that we have experienced in our national history. This activity has been supported by a strong financial position of banks, corporations and insurance companies to absorb the investment volume of expanded credit. Seemingly the population of the United States has begun to lose the fear of debt and we may be lulled into a sense of sales complacency by the politically inspired predictions of endless prosperity to come. Does it not behoove all of us who are responsible for extending a portion of this credit to realize that there is a limit to which credit can be expanded and a limit as to the amount of debt that individuals or corporations can contract for in making purchases? Let us all re-analyze our individual businesses with this thought in mind.

R. O. Deming, Jr.

President
Mortgage Bankers Association of America

MBA CALENDAR

June 19-23 CHICAGO, Third annual Mortgage Banking Seminar held in cooperation with Northwestern University.

September 27-29 DETROIT, 37th annual Convention and Exhibit of Building, Industry and Services, Statler and Book-Cadillac Hotels.

The MORTGAGE BANKER isn't opening a poetry corner but we have one this month. It's the work of Wallace Moir of Los Angeles and he sprung it at the Chicago Conference in February. Since then we've been hearing enough comment here and there over the country to convince us that the best thing to do is print it so that any and all who have an appreciation of poetry can enjoy it.

Simon Legree, the Mortgage Man

Simon Legree, the mortgage man,
Charges all the interest he can.
Throws poor widows right out of their house—
Everyone knows he's a lowdown louse.

He sits at a desk with a long black whip;
Snarls at his victim, and curls his lip.
He demands the fastest payoff he can—
Everyone knows he's a despicable man.

His den is paneled with oak and glass
He sits in a high swivel chair in class.
You must chattel your furniture, your business—your life.
He even gets a chattel on your charming wife.

Now this nefarious practice of lending dough
Has a short time to live—it's about to go.
The government sees in it a bad precedent;
You must *not* pay back the money you've spent.

Play the funeral march,—count 1, 2, 3,
For the mortgage man named Simon Legree.
When the government has given *him* the final twist,
I suppose *my* business will be *next* on the list.

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Contents

How Sound Is Our Present Mortgage Structure?

By AUGUST IHLEFELD

HOW stable is our mortgage structure today?

In view of the unprecedented rapidity with which lending institutions are currently expanding mortgage portfolios, it is inevitable that questions shall be raised about the present and prospective quality of mortgage investments. Lending institutions, through a realistic appraisal of the elements of strength and weakness in the mortgage structure, can shape their mortgage policies in ways to limit risks incurred and minimize future losses.

In every building boom, the quality of the mortgage structure as a whole is affected adversely. This results from the fact that the volume of mortgage debt is increased substantially, while eventual overproduction of dwellings leads to a decline of realty values and consequent impairment of many loans, particularly those of relatively poorer quality. Losses tend to be heaviest among loans made in the last phases of the boom, for they are affected by the fall in values before the mortgagors have had much opportunity to amortize their obligations to a material degree.

In the current great building boom, the increase in mortgage debt has assumed unprecedented proportions. Urban mortgage debt has been increased from $31 billion at the end of 1945 to over $60 billion today, a doubling in less than five years. By the end of 1951, at the present rate of building, mortgages on residential and commercial properties in urban communities should exceed $70 billion, a total two and one-thirds as large as that of 1945.

Would a mortgage debt of this record magnitude be excessive for the American economy as it is now constituted?

In relation to the ability of the American people to carry mortgage debt, the increase would not be excessive. In 1939, urban mortgage debt of $30 billion was 43 per cent of disposable personal income of $70 billion. Today, the urban mortgage debt of $60 billion is only 31 per cent of disposable personal income of $192 billion. If we assume about the same level of national income at the end of 1951, urban mortgage debt of $70 billion by that time would be only 37 per cent of disposable income.

In other words, the rise in urban mortgage indebtedness has lagged well behind the near tripling of national income since 1939.

Reasons for Confidence

Ability of mortgagors to service their debts may depend not only on their incomes, but also on their liquid resources. The liquid savings of the American people have been tripled since 1939, whereas the mortgage debt has approximately doubled. By this test, also, we must conclude that for the nation as a whole the actual burden of mortgage debt is really less than it was in 1939.

The fact that the mortgage debt burden is relatively moderate today does not mean that lenders can be complacent about the outlook. A similar analysis would have shown that the mortgage debt burden was relatively moderate in 1929; nevertheless, the catastrophic contraction of national income by almost 50 per cent between 1929 and 1933 worked havoc among mortgage investments during that period.

Are there reasons for confidence that a similar severe contraction in national income will not recur to produce new heavy losses for mortgage lenders in the period ahead?

Factors that must be taken into consideration in appraising the probable severity of future depressions are:

» *The effective measures that have been taken to prevent future commercial bank failures.* Collapse of the commercial banking system was probably the chief reason why the great depression of the 1930's was so much more severe than earlier depressions in this century.

» *Limitations on security loans.* Expansion of security loans by many billions of dollars intensified the boom of the late 1920's, while forced repayment of these loans made the subsequent deflation and depression so much more drastic.

» *The support of farm prices.* This makes unlikely a repetition of the extreme deflation to which agriculture

When anything grows as large as fast as the mortgage debt of the country has in recent years it's natural for people to wonder how sound the expansion has been and if some weak spots have occurred which will rise up to plague us later. Mr. Ihlefeld, who is president of the Savings Banks Trust Company of New York, owned by the state's savings banks, is as concerned with mortgages as anyone. Here he analyzes in detail the soundness and stability of our present mortgage structure and finds it just that—a sound and stable part of the American economy.

was subjected in the 1930's, with severe adverse repercussions upon the whole economy.

>> *The evident determination of government to lessen the amplitude of business fluctuations for the future.*

Professor John Lintner, in his study of the experience of mutual savings banks in Massachusetts, found that net losses on mortgage loans averaged 1.17 per cent per annum in the period 1931 to 1945, but less than 0.1 per cent per annum in the era 1880-1925, which was marked by no such drastic depression as that of the 1930's, but by four minor depressions. We can assume that if future business depressions are going to be of the milder variety encountered in this earlier period, potential losses on mortgages will be correspondingly more moderate.

Million Starts in 1950

It is possible, of course, that future depressions will be less severe on the whole, but that home building may be so largely overdone during the current construction boom that realty values may again be hard hit, causing relatively heavy losses to mortgage lenders.

The post-World War II building boom got into its stride in 1947, when 849,000 non-farm dwelling units were started. In 1949, more than 1,000,000 dwelling units were started for the first time. We are now in the fourth year of this boom, and it is probable that about 1,000,000 units will again be started in 1950.

A great difference between building and other industries is the very small number of dwellings that are demolished or destroyed each year. The figure is estimated by the Department of Commerce at only about 50,000 per annum, or 5 per cent of the current level of new construction. Hence, a sustained high level of new construction is bound in time to increase the housing inventory to a point where overproduction will occur.

Furthermore, the supply of housing has been increased not only by new building, but also by conversion of existing structures into a larger number of dwelling units, by the use of trailers, etc. The Department of Commerce estimates that about 400,000 additional dwelling units have been created in each of the past three years by such measures, and many of these represent a permanent addition to the dwelling supply.

But this high rate of home building has been readily absorbed because of the abnormally high marriage rate and the undoubling of families that had been living in the same households. Undoubling always occurs in a period of prosperity. To date, there has been no question of an overproduction of housing. The marriage rate is now returning to normal, however, and the number of married couples sharing dwellings of other persons is today back to the 1940 level.

Nevertheless, with sustained prosperity, the Department of Commerce estimates that the deferred demand for dwellings still aggregated 1.8 million units at the beginning of this year. Of this total, 100,000 represents anticipated above-normal marriages, 650,000 further undoubling of married couples, 100,00 further undoubling of single persons, and 1,000,000 to restore a normal 5 per cent vacancy ratio for the nation's home supply as compared with a recent ratio of 2.5 per cent. Added to the 535,000 dwellings required annually because of the estimated normal marriage rate, these figures point to an aggregate demand for upwards of 1,000,000 new dwelling units yearly for the next three years, even apart from replacement of present temporary type dwellings by more permanent units. At the present rate of progress in the public housing program, the great bulk of this new residential program will have to be privately financed.

Should a high level of building continue for three more years, by the end of that time the inventory of housing should be more than ample, and any business setback could produce a surplus.

Would a mortgage debt of the present record magnitude be excessive for the American economy as now constituted? No, says Mr. Ihlefeld, not in relation to the ability of the American people to carry it.

In the light of these figures, most of us would probably go along with the conclusion reached in the Survey of Current Business that "the remaining backlog of demand for homes is still large and appears sufficient to warrant construction close to the recent yearly rates for a considerable period, although probably not extending beyond three years. Nevertheless, it is not too early to consider the implications of the elimination of war-induced shortages."

Assuming favorable conditions continue to prevail in other segments of the economy, home building could continue at a relatively high level through 1952. By that time, however, the real estate situation would have become considerably more vulnerable, and the risk of loss to mortgage lenders correspondingly greater. In the meanwhile, outstanding mortgages would gradually acquire a stronger position through amortization payments.

Elements of Weakness

Far-reaching changes have occurred in mortgage lending. These involve elements of weakness as well as of strength. Full account of these changed conditions must be taken if we are to appraise realistically the risks involved in present-day mortgage lending.

The elements of weakness to be considered include:

>> More than half the mortgages now held have been placed during the past five years of high realty prices. An even larger proportion will be relatively new mortgages by 1952, if the current rate of mortgage lending continues. Losses were far greater in the 1930's on loans placed in 1927-29 than on those placed in earlier years.

>> The rise in construction costs has been greater during the current boom than in the building boom of the 1920's.

>> The ratio of mortgage loans to property values has increased.

>> The average term of present mortgage debt has been lengthened.

>> Mounting municipal debts and rapidly expanding municipal services could result in material increases in taxes upon realty in the future.

>> Public housing programs and artificial stimuli of private building by government aids adds to the danger of an eventual overproduction of housing.

As against these elements of relative weakness in the present mortgage structure, there are other notable factors of strength. These include:

>> The systematic amortization of principal which is almost universal today.

>> Placing of home mortgage service on a regular monthly basis, lessening the burden on the mortgagor and giving him no financial advantage when he surrenders his house and moves into rented quarters involving a similar monthly charge.

>> The lower level of interest rates, which lessens the burden of mortgage debts to the obligors.

>> Elimination for the most part of second and other junior mortgages, which greatly added to the burden of realty owners in the past, and often proved the precipitating factor in defaults and foreclosures.

>> Rent ceilings have discouraged undue increases in values and in mortgage loans on older structures, such as occurred in the 1920's. Whenever ceilings are relaxed, rents and values of most such older buildings may rise.

>> Insurance of an increasing proportion of outstanding mortgages by FHA and partial guarantees of others by the VA.

In the light of all the factors considered, we must conclude that losses on mortgage loans will recur, but that they are unlikely to attain again in the foreseeable future the very serious proportions of the 1930's. Furthermore, it is reasonable to expect the current boom to go on for two or three years more, giving additional time in which to amortize outstanding mortgages and to weed weak situations out of portfolios as opportunity to do so offers.

In anticipation of less favorable real estate conditions in the future, mortgage lenders are well advised to pursue policies now that will minimize the risk of future losses. One fundamental objective of such policies should be to up-grade mortgage loans acquired in the latter phases of a building boom, since past experience has shown that losses tend to be highest on these loans. Another is to make provision now, well in advance, for probable future losses.

One obvious way to up-grade mortgages is to maintain and improve selection standards. A number of mortgage lenders, to achieve this objective, favor conventional loans on desirable older structures at a conservative ratio to current income, which is based on stabilized and for the most part controlled rents. With the current keen competition for loans, there is strong temptation at times to compromise with standards. But logic and experience both tell us that it is better to tighten than to relax standards at this phase of a building boom.

A second way for an investor to up-grade a mortgage portfolio is to invest more largely in mortgages insured by FHA or guaranteed by the VA. On such mortgages, losses are limited to foreclosure costs, interest that may be lost during foreclosure, and possible expenses in rehabilitating foreclosed properties that do not meet standards set by the insuring authorities. About 45 per cent of the mortgages currently being acquired by all financial institutions are insured by the FHA or partially guaranteed by the VA, as compared with 35 per cent a year ago, showing the growing reliance of lenders generally upon such protection against losses as the building boom reaches an advanced phase.

A third basic policy strongly backed by experience is the setting aside of reserves against prospective losses. Lintner found that a reserve of ½ of 1 per cent per annum, set up on residential loans which were made between 1918 and 1931, would have sufficed to cover all losses incurred on such loans during the great depression.

The policy generally pursued in New York State by savings banks, for example, is to set aside a reserve of ½ of 1 per cent against conventional mortgages, until it equals 10 per cent of such mortgages held. A reserve of ¼ of 1 per cent, with a maximum of 5 per cent, is being generally set aside yearly where mortgages have a VA guarantee, or where the bulk of a portfolio of conventional loans consists of liens on one to two family homes maturing in 15 years or less. On FHA mortgages an aggregate reserve of 1 per cent is usually set up to cover foreclosure and other possible costs. These reserves should prove ample to cover all prospective losses, in view of the factors considered. Consideration should be given to the suggestion for extending the period over which premiums on FHA mortgages must be amortized from

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Mr. Ihlefeld says to look for a million starts this year but he may be a little conservative based upon what's taking place today. Reports of the Bureau of Labor Statistics show that the greatest wave of building by private home builders is under way. Highest monthly peak in history was hit during March, when builders started 110,000 new homes and apartments. The NAHB says most of them are priced for the average family. April starts were even higher.

PRIVATE ENTERPRISE

is taking a terrific beating in Europe

By ROBERT P. GERHOLZ

President, National Association of Real Estate Boards

THE straitjacket which bureaucracy has placed upon private industry in England and France is frightening; and, after I had seen it this spring, convinced me that we must redouble our opposition to the inroads of Socialism in this country.

Robert P. Gerholz

The one objective of the bureaucrats there — to perpetuate themselves in office and maintain the welfare State — scares one. In England they are doing away with home and property ownership, and it is considered almost subversive to talk about the place or ability of private enterprise to solve the housing problem.

This attitude was dramatically illustrated by two episodes.

» CAN WE AFFORD IT? As I talked with two of the top government officials concerned with the housing program, they said that free enterprise was a good thing for the United States — that we had a rich country which could afford it and that it was possible here. Their philosophy for England followed the pet idea of the leftist thinkers: that being poor, their country could make ends meet only by employing hordes of bureaucrats to think out new ways of putting production into straitjackets. Of course, they didn't go into the next obvious question of how it is possible for the United States with its "wasteful" system to maintain the world's highest standard of living and still subsidize the socialistic economies of Europe.

The other experience was my conversation with members of the Royal Institution of Chartered Surveyors. About half of these men, who represent the top flight real estate men of their country, have taken jobs with the government "in order to live," as they explain it. However, they profess to be in favor of the free enterprise system, but the best evidence I could gather indicates that they have made very little effort to stem the encroachment of the government. In other words, they didn't stand up and fight for independence, and now that their business is gone they are accepting it phlegmatically.

» INCENTIVE DIES: The notorious Town and Country Planning Act has been the kiss of death for the real estate industry. Under it, all initiative has been killed, and the government housing program fell short of its goal last year. It has been necessary to cut down the goal for this year, despite the critical shortage.

Typical of the control impressed by the government is the allocation system for all new housing construction. It is set up to permit only one privately built unit for each nine constructed by the government. But even this presents a false impression. A private builder, before he can move ahead, must obtain a license from the government and this requires from six months to two years. Because of the bureaucratic red tape, it is virtually impossible for any private building, no matter how much capital an individual might have to invest.

Any privately built housing developments are discouraged by this Town and Country Planning Act. If an entrepreneur, for example, desired to develop agricultural land into a subdivision, he would first have to obtain permission of the local planning authority. Then the value of the land would be divided into its two parts—one the value of its existing use as farm land, and second, its potential value as urban land in the development. The "development value" is collected by the state. Thus, the incentive is gone.

We obtained a picture of the real estate situation, not only through inspection trips in the field, but also through attendance at more than a dozen meetings with representatives of industry and high government officials. These included sessions with the Royal Institution of Chartered Surveyors, the Chartered Auctioneers' and Estate Agents' Institute, and the Building Progress Group Ltd. In France we met with the Minister of Reconstruction.

» LOW MORALE: These sessions revealed the effect of five years of managed economy. Morale and efficiency are out the window. The "guaranteed work" has destroyed the incentive of labor and helps to maintain the attitude that the government is doing a good job. The bureaucratic red tape and restrictions, with oppressive taxation, have created a roadblock which prevents any desire on the part of management to risk venture capital.

In government building, cost is no object. For example, I observed a complete lack of coordination of materials on the site and little evidence of men working at one of their projects. It had been started two years ago, and it was estimated that it would take another eight months to a year to complete. It was the kind of a job that private enterprise in this country would have to finish in six to eight months to avoid going broke.

We proposed to government officials a plan of supplying 5,000 prefabricated homes to help ease the shortage. Under the English scheme of capital investments for the whole economy, they would have no part of the idea. The question of whether the plan had any merit was not even considered. The important factor was that it would destroy the equilibrium of the economic program for Britain. Such is a planned economy.

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MBA NOMINEES ARE MILTON T. MacDONALD FOR PRESIDENT, A. M. COSTA FOR VICE PRES.

Milton T. MacDonald, vice president of the Trust Company of New Jersey and MBA vice president this year, will head the list of nominees to be presented at MBA's annual election at the Detroit Convention.

He is the nominee for president and Aubrey M. Costa, president of the Southern Trust and Mortgage Company, Dallas, is the nominee for vice president.

The nominations for Association offices for the 1950-51 term were announced at the Spring board of governors meeting at the Drake Hotel, Chicago, by Norman R. Lloyd, Cleveland, chairman of the nominating committee which also includes George H. Dovenmuehle, Chicago; G. Calvert Bowie, Washington, D. C.; Allyn R. Cline, Houston, and Dean R. Hill, Buffalo.

Mr. MacDonald was born in Brookline, Mass., prepared at Worcester Academy and received his A.B. degree at Harvard in 1918. He is also an alumnus of the Graduate School of Banking of Rutgers University (1943). He was at one time vice president of the North Atlantic and Western Steamship Company and later vice president of The Wm. M. Hotchkiss Company, mortgage and real estate company of New Haven, Conn. In 1932 he became associated with The Trust Company of New Jersey as vice president. During the first world war he was personal aide to Rear Admiral Spencer S. Wood, commandant of the First Naval District, Boston. He is a member of the Hasty Pudding Club of Harvard and of the Harvard Club of New York City, the Round Table Club of Jersey City and the Riverside, Conn., Yacht Club.

His Association activities have included a wide range of committee assignments including three terms on the executive committee. In recent years he has been particularly active in Washington affairs concerning the mortgage industry. He is a past president of the New Jersey MBA. One of his principal activities has been his work in connection with the annual Senior Executives Course sponsored each January in cooperation with New York University. He has spoken widely at the Association's various conferences and meetings throughout the country.

As mortgage officer of The Trust Company of New Jersey he has taken a leading part for many years in the financing of housing under the auspices of FHA on a nationwide basis.

Mr. Costa was born in Corsicana, Texas, and was educated in Texas schools. He has a background of mortgage banking experience extending back more than a quarter of a century and all of it has been with the company which he and his present partner, F. M. Love, organized in May, 1924. Prior to that time he served in World War I and was engaged in the oil industry.

He is a past president and secretary-treasurer of the Texas MBA. He has spoken frequently at MBA meetings including our 1949 Mortgage Banking Seminar. He likewise has served on a long list of Association committees.

TEXTBOOK OF MORTGAGE LENDING BEING EDITED

All manuscripts for MBA's forthcoming *Textbook of Mortgage Banking* have been received and publication has been tentatively set for the Spring of 1951. Dr. Homer V. Cherrington, professor of finance at Northwestern University, recently appointed associate editor of the book, is now engaged in editing and, in some cases, collaborating in rewriting, various chapters. Robert H. Pease, vice president of Draper & Kramer, Inc., Chicago, and editor of the Textbook, recently conferred in New York with Frank D. Hall of Brooks, Harvey & Co. concerning the appraisal section of the book. Following this, a conference was held with officials of McGraw-Hill Publishing Company, publishers, and the publication date scheduled.

Dr. H. V. Cherrington

Dr. Cherrington's assignment on the Textbook is his first association with MBA. He holds an A.B. degree from the Ohio University, an A.M. from the University of Michigan and took his Ph.D. at Harvard. He was formerly professor of economics at Cornell College in Iowa and at Ohio University. He is a member of the American Economic Association and the American Finance Association. He is author of *The Investor and the Securities Act* and *Business Organization and Finance.*

MBA NEW MEMBER DRIVE IS AT AN ALL TIME PEAK

This has been MBA's biggest membership year. With still more than three months to go, over 200 new members have been added during the fiscal year ending on August 31. The campaign will continue right on through the summer months, according to E. R. Haley, membership chairman, with the prospect that the already excellent showing can be even further improved. New members admitted since the previous report include:

ALABAMA, Wetumpka, The First National Bank of Wetumpka

COLORADO, Denver, Carpenter and Jones, Inc.

DISTRICT OF COLUMBIA, Washington, Weinberg & Bush, Inc.

FLORIDA, Coral Gables, Coral Gables Investment Co.; Miami, City Mortgage and Loan Company, Stockton, Whatley, Davin & Co.; Orlando, The First National Bank at Orlando; Panama City, L. E. Merriam; St. Petersburg, Stockton, Whatley, Davin & Co.; Tallahassee, Stockton, Whatley, Davin & Co.

GEORGIA, Atlanta, Southern Life Insurance Company of Georgia; Savannah, Haines, Jones & Company

KANSAS, Topeka, Capitol Federal Savings and Loan Association.

MARYLAND, Baltimore, Home Mortgage, Inc.

MICHIGAN, Detroit, Lang-Heenan and Company

MISSOURI, St. Louis, Harry S. Surkamp Investment Company

NEW YORK, Syracuse, The Onondaga County Savings Bank

OKLAHOMA, Tulsa, Standard Mortgage Company

TENNESSEE, Union City, Tom Cowden

TEXAS, Austin, Sandlin Mortgage Corporation; Dallas, Employers Casualty Company; Fort Worth, Claude P. Coates, McDonald Mortgage Company; San Antonio, San Antonio Building and Loan Association, Mark Watson Co., Inc.

VIRGINIA, Norfolk, Tunstall-Lewis Corporation; Roanoke, R. L. Rush and Son

WISCONSIN, Racine, Benj. Mitler & Co., Realtors

MBA MORTGAGE BANKING SEMINAR JUNE 19 TO 23 LARGEST COURSE YET HELD

A good sign visible in the mortgage industry is that plenty of young people are entering it just as they have in the past. This fact was demonstrated this year by the registrations at MBA's annual Mortgage Banking Seminar at Northwestern University June 19 to 23 which show an entirely new group coming for the week's sessions.

W. L. Leighly

Applications for registration have been heavier than in any previous year; and by the time this issue appears, we probably will have received more than the maximum set by our Seminar Committee. This should *not*, however, deter any member firm from submitting an application. Send it in but act immediately. One purpose is to serve as many member firms as possible; so, even though you may be late, your application may well be accepted while another firm's request for several students may be cut down. Direct them to Frank J. McCabe, Jr., director of education and research. But don't delay because the list will be closed very soon.

Seminar speakers include Dr. Arthur M. Weimer, dean, school of business, Indiana University; Robert E. O'Dea, trust officer and Robert Kratovil, title officer, Chicago Title and Trust Company; Fallon A. O'Leary, Cornet & Zeibig, Inc., St. Louis; Robert H. Pease, vice president, Draper & Kramer, Inc., Chicago; George S. Dalgerty, appraiser, Evanston, Ill.; Watson A. Bowes, Denver; Frank D. Hall, vice president, Brooks, Harvey & Co., New York; William L. Leighly, vice president, Dovenmuehle, Inc., Chicago; Maurice R. Massey, Jr., vice president, Peoples Bond and Mortgage Company, Philadelphia; Walter C. Nelson, vice president, Eberhardt Company, Minneapolis; Gerald A. Golden, Sun Life Assurance Company, Montreal; Aksel Nielsen, president, The Title Guaranty Company, Denver and former Association president; Allyn R. Cline, president, Cline Mortgage & Trust Company, Houston; Richard M. Hurd, Teachers Insurance & Annuity Association, New York; James C. Downs, Real Estate Research Corp., Chicago; Philip N.

Norman Nelson

George H. Patterson

Brownstein, Veterans Administration, Washington, D. C.; James L. Dougherty, president, Federal National Mortgage Association; Oliver M. Walker, Walker & Dunlop, Inc., Washington, D. C.; Homer B. Gibbs, National Life and Accident Insurance Company, Nashville; and John Fox, Mercantile-Commerce Bank & Trust Company, St. Louis.

Officials in charge include Mr. Leighly, vice chairman of MBA's education committee, Secretary George H. Patterson, Seminar registrar, and Frank J. McCabe, Jr., director of education and research. Other Seminar committee members include Norman H. Nelson, St. Paul, chairman of the education committee; Mr. Pease and Ward J. Gauntlett, Chicago; A. S. Love, St. Louis; W. R. Bryant, San Francisco; Stanley Fosgate, Miami; and Jack D. Merriman, Kansas City.

Registrations include:

G. L. Bates, Cowan-Irvine Company, Inc., Mobile, Alabama; George Berg, The Deming Investment Company, Little Rock; Cyrus Wade, Jr., General Mortgage Company, Bakersfield, Calif.; F. L. Zeidler, Inglis Mortgage Company, Colorado Springs; Frank J. Whittemore, The Kassler Mortgage Co., Denver; Jacqueline L. Couture, Connecticut General Life Insurance Co., Hartford; J. Tyler Bowie, G. Calvert Bowie, and Matthew Trimble Sawtelle, Walker & Dunlop, Inc., Washington, D. C.

Henry D. Anthony, Suwannee Life Insurance Co., Jacksonville; Daniel J. Powis, The Keyes Company, Miami; Irvin Clinton Marchand, American Fire and Casualty Co., Orlando, Fla.; John J. Corley, Jr., Roy D. Warren Company, Inc., Atlanta; Fred W. Klass, Allied Building Credits, Inc., C. M. Buettner, Dovenmuehle, Inc., Paul E. Stanard, The First National Bank of Chicago, Thomas D. Philipsborn, H. F. Philipsborn & Co., Erwin A. Salk, Salk, Ward & Salk, all from Chicago; Albert R. Schafer, F. Jay Decker Co., Peoria; Oscar H. Eberhart, Old National Bank in Evansville, Evansville, Ind.; Chester W. Hessert, Lincoln National Bank and Trust Co., Fort Wayne, Ind.

Frank J. McCabe, Jr.

Robert A. Pease

Richard M. Hurd

James C. Downs

P. N. Brownstein

M. R. Massey, Jr.

Frank D. Hall

Allyn R. Cline

F. A. O'Leary

Watson A. Bowes

Robert O'Dea

Aksel Nielsen

J. L. Dougherty

G. A. Golden

Robert Kratovil

A. M. Weimer

Homer Gibbs

O. M. Walker

W. C. Nelson

John Fox

E. Harold Carlson, Central National Bank and Trust Company, John M. McGill, Equitable Life Insurance Company of Iowa, Edmond M. Murphy, Equitable Life Insurance Co. of Iowa, Carl E. Van Driel, Home Federal Savings & Loan Association of Des Moines, Jack Thellman, National Company of Iowa, all from Des Moines; Herman Oakes, The Deming Investment Co., Oswego, Kan.; Thomas B. Frost, Jr., The Davis-Wellcome Mortgage Co., John P. Davis, Security Benefit Life Insurance Co., Herbert F. Laing, Security Benefit Life Insurance Company, Topeka, Kansas; John Taylor, Jr., The Amortibanc Investment Company, Wichita; Edwin D. Horn and Charles M. Peege, Louisville Title Insurance Company, Louisville.

Leslie F. Woods, Hadley Falls Trust Company, Holyoke, Mass.; Arnold E. Worth, Newton Savings Bank, Newton, Mass.; Richard E. Hickey, Jr., Monarch Life Insurance Company, Springfield; James T. Wilcox, State Mutual Life Assurance Co., Worcester, Mass.; W. Emerson Clyma, Standard Federal Savings and Loan Association, Detroit; John W. Greenman, Cathcart & Maxfield, Inc. and Oliver N. Dyste, The Minnesota Mutual Life Insurance Co. of St. Paul.

R. Carl Bacchus, Kansas City Life Insurance Company, Kansas City; John S. Ketchum, C. A. Bissman Company, Springfield; William H. Hopmeier, Ralph D'Oench Company, St. Louis; John B. Schmidt and Eric C. Wagner, First National Bank in St. Louis; Charles D. Thursby, The Reliable Life Insurance Company, St. Louis; Harding W. Maxwell, Western Life Insurance Company, St. Louis; Frank A. Flanagan, Western Life Insurance Company, Helena, Mont.; William B. Hargleroad, III, The Service Life Insurance Company, Beth Q. McKinley, Byron Reed Company, Inc., and Arlene Dietrich, McFarland & Kennedy, Inc., of Omaha, Neb.; Thomas Reeves, Stalford Mortgage Company, East Orange, N. J.; David Kislak, J. I. Kislak Mortgage Corporation, Jersey City, N. J.

Philip Coombe, South Brooklyn Savings Bank, Brooklyn; Earl Dolson and Arthur Janof, Community Funding Corporation, Jamaica; W. H. Dingleberry, Security Mutual Life Insurance Company, Binghamton, N. Y.; Chester Brown, Jr., Brown-Hamel Mortgage Company, Greensboro, N. C.; Richard W. Woodburn, Evans Savings Association, Akron; Eugene D. Buckley, Central National Bank of Cleveland and Mayer Robbins, The First Fidelity Mortgage Corporation of Cleveland; Robert L. Townsend, Jr., Robert L. Townsend Company, Lima, Ohio; William F. Johnson, Albright Title and Trust Company, Newkirk, Okla.; W. C. Friman, The Deming Investment Company, Sequoyah A. Perry, Finance Corporation, and Ralph C. Hall, Hall Investment Company of Tulsa, Oklahoma.

Wylie L. Bucher, Commonwealth, Inc., Portland, Ore.; J. W. Stevenson, Jr., Stevenson, Williams Co., Pittsburgh; Frederick D. Schultz, Jr. and Roy C. Wellwood, Industrial Trust Company, Providence; Harold O. Casperson, People's Savings Bank in Providence; Robert L. Waldrop, Jr., C. Douglas Wilson & Company, Greenville, S. C.; Max B. Ostner, James E. McGehee & Co., Inc., Memphis; Don M. Powell, Walter M. Noel & Co., Nashville; W. H. Bullard, First-Austin Investment Corporation, Austin; James M. Wooten, T. J. Bettes Company, Lewis Grinnan, Lewis Grinnan Company and William H. Davis, Republic National Life Insurance Company, Dallas; Allen W. Elster, T. J. Bettes Company, Houston; Aldes H. Cadwallader III, Mortgage Investment Corporation and Dan M. Hollingsworth, Mortgage Investment Corporation of San Antonio.

Benjamin J. Smith, Jr., Seattle Mortgage Company, Seattle; G. R. McDowell, The Casper National Bank, Casper, Wyo.

Disque D. Deane, Teachers Insurance and Annuity Association of America, New York; John L. McCarthy, Walker & Dunlop, Inc., Washington, D. C.; J. H. Nason and Roy L. Newman, Benefit Association of Railway Employees, Chicago; George M. Brady, Jr. and Charles F. Jenkins, The Moss-Rouse Company, Baltimore.

FIRST CALL FOR THE CONVENTION! AND IT LOOKS LIKE ANOTHER BIG MEETING

If present conditions in the mortgage industry, in business generally, and MBA's experience with its 1950 Clinics and Conferences are indicative of a trend, then this year's 37th annual convention at Hotels Statler and Book Cadillac in Detroit, September 27 to 29 seems certain to be about the largest annual meeting the Association has held. The program planning is proceeding with that in view. The dates are a little earlier this year than our traditional October convention period so members will do well to keep them in mind when making plans for the summer.

E. F. Lambrecht

Edward F. Lambrecht, president, Lambrecht Realty Company, has been named general convention chairman by President R. O. Deming, Jr. with Walter Gehrke, president, First Federal Savings and Loan Association, and Herold G. Woodruff, H. G. Woodruff, Inc. as co-vice chairmen. Secretary George H. Patterson and national office staff members have been meeting with the Detroit local group for the past five months making preliminary arrangements. Invitations to guest speakers are in the mails and the program will be coming along to members before most of them take summer holidays.

H. G. Woodruff

Walter Gehrke

Some things you should know about now:

>> Note that the days are Wednesday, Thursday and Friday. These last-of-the-week dates seem to be generally preferred by MBA members.

>> With the anticipated large attendance, we won't actually have one headquarters hotel, but two. The Statler and Book Cadillac, our co-headquarters, are among America's finest hotels as indeed are the others at which MBA has reservations. They are all close together and no member will in any way be inconvenienced by being assigned to a hotel away from the two headquarters. Members appreciate that with our annual meetings as large as they have become in recent years, there are only a very few hotels in the country that can accommodate our group under one roof.

>> While MBA hasn't particularly emphasized attendance by the ladies in recent years—preferring to stress the work-side at our conventions—this is a good year to bring the ladies if they care to come. Practically everyone likes Detroit as a place to visit and there is much to do and see. And this year we are providing a program of ladies entertainment which is sure to please. It isn't complete yet but will include a trip to Dearborn Inn, the quaint Ford inn at Greenfield Village, including luncheon there and an inspection of the museum and other attractions. Then during the Convention period, Hudson's, one of America's foremost stores, will be having an elaborate Fall style show with entertainment.

>> Some unusual entertainment is also being arranged that will please both members and their ladies. Our night club party of recent years may not be held but in its place the Detroit group may charter one of the large lake steamers for a cruise on Lake St. Clair. Our plans will probably include a late afternoon departure, with a buffet dinner aboard and dancing on ship, returning at night. Accommodations are such that all who wish to go can be taken care of.

>> Then on Saturday, after Convention close, those who would like to

(Continued next page)

FIRST FORAY INTO MIAMI: This year MBA's Clinic program took this activity into some new communities, notably Miami. Left photo shows our Clinic group at lunch with some of the guests at the meeting. Left photo, beginning at the left foreground and reading around the table are Sidney B. Maynard, treasurer, University of Miami; Frank Strubbe; W. J. Hester, University of Miami; Secretary George H. Patterson; D. Richard Mead; MBA Washington Counsel Samuel E. Neel; Thomas B. Coogan, NAHB president; C. W. Kistler; FHA Commissioner Franklin D. Richards; Isidore Quintana, Greater Miami MBA president; MBA Vice President Milton T. MacDonald; Dean G. Rowland Collins, graduate school of business administration, New York University; Dr. Bowman F. Ashe, president, University of Miami; W. A. Clarke; Fred Crozier; William Osler; Russel S. Hunsberger; Clyde McGee, Jackson, Miss.; and Stanley Fosgate.

Right photo — Miami Clinic opening. Seated, Mr. MacDonald, Mr. Clarke and Dean Collins. Standing, Secretary Patterson, Mr. Kistler, Mr. Neel, Mr. Hunsberger and Mr. Quintana.

11th EDITION OF MBA EXHIBIT AT DETROIT

MBA's 11th annual Exhibit of Building, Industry and Services will run concurrently with the 37th annual convention and feature a wide range of products and services in the home building and equipment field of particular interest to the mortgage lender and investor. In addition, a section will be devoted to mortgage office operation and include many of the largest companies in the country making bookkeeping machines. Companies which will participate in the exhibit include General Electric Co., Crane Co., Stran-Steel Division of Great Lakes Steel Corp., Briggs Manufacturing Co., Norge Division of Borg-Warner Corp., Saf-Aire Division of Stewart-Warner Corp., American Houses, American Radiator and Standard Sanitary Corp., National Cash Register Co., Kelvinator, York Tabulating Service Co., National Radiator Co., Hartford Fire Insurance Company, Western Underwriters Association, Monroe Calculating Machine Company, Remington-Rand Co., Stern, Lauer & Co., Paramount Fire Insurance Co. and Swedish Crucible Steel Co.

Already we know of a large number of new ideas and products which members will be seeing at the Exhibit. Make a note now to spend some time there carefully inspecting what our exhibitors have brought to the Convention. You cannot help but profit by what you see and hear at the Exhibit.

CONVENTION PLANS

(Continued from page 10)

go on to Ann Arbor to see University of Michigan and Michigan State, two of the best in the country, play their opening game, can secure tickets. A large block has been set aside for MBA use.

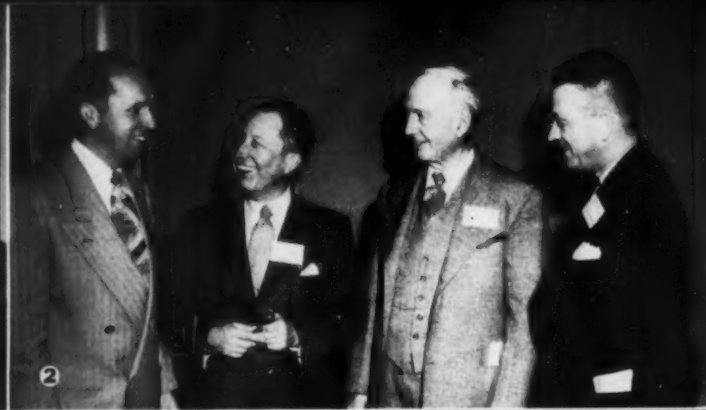
So much for a few of the things that members can anticipate at their 37th annual meeting. The program itself promises to be an outstanding one and you will be hearing about it soon.

In the meantime, if you haven't attended to your hotel accommodations on the forms sent by the Association, prompt action is advised. The advance registrations blanks will be in members' hands soon.

SERVICING CENTER WILL BE CONVENTION FEATURE

Following the success of MBA's initial servicing program last year, this feature will also be a part of the Detroit convention. Four sessions are scheduled, one on collections and delinquencies, another on bookkeeping methods and records, one on cost accounting and a final one on taxes and insurance. Based upon what we learned last year in this convention activity, a considerably expanded program is being planned, based principally on the general conclusion that everything having to do with more economical servicing is likely to become increasingly important in the mortgage industry.

The general sessions program will be held in the Statler while the Mortgage Servicing Center is scheduled for the Book Cadillac.



AT THE IOWA CLINIC

No. 1. J. Don Wissler, assistant state FHA director for Iowa; H. C. Barnes, vice president, Fidelity-Philadelphia Trust Company, Philadelphia; W. A. Clarke, W. A. Clarke Mortgage Company, Philadelphia; Laird M. Fryer, Iowa-Des Moines National Bank, and retiring Iowa MBA president; Milton T. MacDonald, Trust Company of New Jersey and MBA vice president; Robert H. Pease, Draper & Kramer, Inc., Chicago, and editor of MBA's forthcoming Textbook of Mortgage Banking; and Earl Linn, The Weitz-Linn Investment Company, Des Moines, and MBA regional vice president.

No. 2. Walter C. Nelson, Eberhardt Company, Minneapolis; Dale M. Thompson, City Bond and Mortgage Company, Kansas City; W. W. Beal, Iowa Securitie; Company, Waterloo; and Norman H. Nelson, Minnesota Mutual Life Insurance Company, St. Paul.

No. 3. Frank J. McCabe, Jr., MBA director of education and research; W. E. Hey, Iowa Securities Company, Davenport, Ia.; Douglas G. Swale, First National Bank, Mason City Ia.; and E. R. Haley and Milton S. Olson, General Mortgage Corporation of Iowa, Des Moines.

No. 4. Harvey Handford, Bankers Life Company, Des Moines; Mr. Fryer; A. S. Love, Edward K. Love Realty Company, St. Louis; H. R. McBride, FHA, Des Moines; and William H. Jaffke, Mercantile-Commerce Bank and Trust Company, St. Louis.

IT'S BEEN A BIG YEAR FOR MEETINGS OF MBA

Just as in membership, this year has been a banner one for MBA Conferences, Clinics and other meetings. More were held than ever before and more people attended those which were held. The expansion in meeting activities was in accordance with the program as decided upon at the opening of this Association year and sought to provide the means by which members in all sections of the country would be provided a forum for a mutual exploration of current problems in our field.

The Chicago Conference attracted an attendance of more than 600 and the New York Conference nearly 475. The Miami meeting ran 100, the Des Moines meeting more than 125 and the Denver meeting more than 100. These five meetings, with the MBA-NYU course in January and the MBA-NU Seminar in June as well as the annual convention, add up to one of the most comprehensive programs of meetings now being sponsored in any industry by its trade association. An equally ambitious program is anticipated for the new Association year.

DOUGLAS G. SWALE NAMED NEW HEAD OF IOWA MBA

Douglas G. Swale, executive vice president, First National Bank, Mason City, was elected president of the Iowa MBA for the coming year to succeed Laird M. Fryer of the Iowa-Des Moines National Bank. He was named at the Association's annual convention in Des Moines held in conjunction with MBA Clinic there.

William E. Hey, Iowa Securities Company, Davenport, was named vice president and Orville Gore, Iowa-Des Moines National Bank, Des Moines, was elected secretary and treasurer.

Governors named were E. R. Haley, General Mortgage Corporation of Iowa, Des Moines; M. N. Baird, Bankers Trust Company, Des Moines; Mr. Fryer; Clyde L. Roe, Conservative Bond and Mortgage Company, Sioux City; and Robert W. Turner, City National Bank, Council Bluffs.

Regional vice presidents named:

Northwest District: D. B. Severson, Security National Bank, Sioux City.

(Continued next page)

AT THE DENVER CLINIC

No. 1. Paul J. Vollmar, Jr., Realty Mortgage and Investment Company, Albuquerque, N. Mex.; E. Gordon Smith, Lawyers Title Insurance Company, Dallas; and Roy C. Johnson, Albright Title & Trust Company, Newkirk, Okla.

No. 2. W. Braxton Ross, Morrison & Morrison, Denver; James W. Guy, Van Schaack & Company, Denver; and J. De Longchamps, Jr., Denver.

No. 3. Will F. Nicholson, A. D. Wilson, Inc., Denver; Hubert F. Thomas, Western Securities Co., Denver; Kenneth King, King Mortgage Company, Denver; Secretary George H. Patterson; E. S. Kassler, Jr., The Kassler Mortgage Company, Denver; and Willard J. Karcher, Security Life and Accident Company, Denver.

No. 4. Aksel Nielsen, Title Guaranty Company and past president of MBA; Mr. Kassler; A. E. Markland, The Kassler Mortgage Company, Denver; Russel Hunsberger, Main & Company, Philadelphia, and a Clinic speaker; and Murray L. Jones, Kansas City Title Insurance Company, Kansas City, Mo.

South Central: E. Harold Carlson, Central National Bank & Trust Co., Des Moines. *Northeast District:* W. J. Greteman, American Trust & Savings Bank, Dubuque. *Southwest District:* Walter Hall, W. H. Lougee & Co., Council Bluffs. *North Central:* L. T. Gallogly, General Mortgage Corporation of Iowa, Mason City. *Southeast District:* R. S. Ferris, Farmers Savings Bank, North English.

The Association has approximately 100 members now as against 88 a year ago.

AT DETROIT'S FHA CLINIC: From this end of speakers' table, Hans Gehrke, Jr., Detroit MBA president; Carl Whitney, FHA, Washington; Louis Breaugh, chief FHA valuator in Detroit; Thomas S. Gray (speaking), FHA administrative officer for rental housing, Washington; Walter J. Gessell, Detroit, moderator (partly hidden behind microphone). VA and FNMA were discussed along with FHA matters.

DETROIT CLINIC ON VA, FHA AND FNMA METHODS

The Spring Clinic of Detroit MBA came a few days after the new Housing Bill became law. The affair occupied a day and evening, beginning with VA, FNMA and FHA panels, continuing with talks on mortgage servicing and commercial lending, and winding up with a dinner at which Dr. Paul W. McCracken, of the School of Business Administration, University of Michigan, was the speaker. About 300 attended the various sessions.

VA Detroit office officials said they were obtaining from 85 per cent to 90 per cent on resale of foreclosed properties; that 50 per cent have been sold for cash and 50 per cent on land contracts, with 15 per cent down on the latter.

FHA said it owned no property in Michigan; that foreclosure proceedings were pending on 22 properties under Title VI, pre-war and war series, $5,400 maximum, all seven or eight years old, and that it was doubted that FHA would ultimately get any of them. Under Title II, 39 were under foreclosure and under Title VI, post-war, 70.

George O. Fetters, speaking on mortgage servicing, said his concern would not accept a partial payment on a delinquent installment. He said that he did not send out second notices, since the practice habituated mortgagors to wait for them.

The effect of television on moving picture theatres was regarded by Charles J. Powell, of the Detroit office of the Massachusetts Mutual Life Insurance Co., as a factor for future consideration when loans for these buildings are up. He thought older apartments, as well as first-rate luxury apartments, good risks now, although he felt the demand was pretty well satisfied in 608s in the Detroit area.

Hans Gehrke, Jr., Detroit MBA president, was in charge of the meetings, assisted by Joel K. Riley, vice president, and Arthur F. Bassett, secretary-treasurer.

—Harold Hallet

N. J. MBA HEARS PLANS ONE YEAR IN ADVANCE

With their May FHA Clinic past them, members of New Jersey MBA are now anticipating their final program event before summer—the annual golf outing scheduled for June 13 at Union, N. J. In addition, New Jersey MBA members also know exactly what is ahead within their Association because President Carton S. Stallard has announced the program for a full year. It includes, besides MBA's own events:

- October, 1950—G.I. Clinic
- November, 1950—Quarterly meeting
- December, 1950—FHA Clinic
- January, 1951—New Jersey MBA meeting with the MBA-NYU Senior Executives course, New York
- March, 1951—12th annual New Jersey MBA meeting

Mr. Stallard also announced committee appointments for the year. They include:

Membership: Addison K. Barry, chairman, and Benjamin Fairbanks, Milton T. MacDonald, George B. Underwood and Milford A. Vieser.

Legislative: Robert E. Goldsby, Chairman; William J. Church, Thomas E. Colleton, Raymond E. Ozias, Alexander Summer and John W. Weber.

Public Relations: Jacob Kraus, Jr., chairman; Franklin B. Bitting, Charles H. Siebert, Fred Waitz.

Conventional Loan: Herman Altschuler, chairman; E. J. Fraunheim, William F. Hayes and Norman P. McGrory.

G.I.: Thomas E. Colleton, chairman; Fred C. Stobaus, vice-chairman; James J. Harrigan, Harold Merz, Vincent B. Miner, Charles Mylod, Joseph Pavlisko, Robert Zacker and Philip Zinman.

Meetings: Walter J. Gill, chairman; Robert E. Smith, vice-chairman; Fredric S. Bayles, Francis R. Steyart, John S. Throckmorton, Joseph Weinert and Richard C. Wurfel.

FHA: Leslie M. Steel, chairman; James J. Harrigan, vice-chairman, Raymond Bolle, Paul Dutko, Thomas Smith, Stanley M. Stalford and Fred C. Stobaus.

Correction: In the last issue in an article by J. R. Dunkerley the author was identified as Deputy Manager of MBA when it should have read ABA. A proof reader's over-zealous quest for accuracy explains the error.

NEARLY 400 AT FHA CLINIC IN SEATTLE

At no other time in the past has there been so many mortgage clinics, particularly on FHA, sponsored by local mortgage bankers associations. Chicago, Cincinnati, Detroit, Philadelphia, New Jersey and many other local groups this Spring had clinics on education, FHA, servicing and other phases of the industry. One of the largest was that of the Seattle MBA held in the Seattle Chamber of Commerce auditorium with more than 375 from the city and adjacent communities attending. The subject was FHA and most of the speakers were FHA officials. Frank Nolan, Association president, opened the Clinic and then turned it over to the agency officials who proceeded to dissect every FHA operation and procedure. Each registrant was given a kit containing all the most commonly used FHA forms.

AT SEATTLE'S FHA CLINIC: Top view shows the large group which attended. Note the school-room set-up which was a feature of MBA clinics until attendance became too large to permit it. Lower photograph: Left to right: Tom Sroufe, assistant chief valuator, FHA; Miss Smith, supervisor, closing unit, FHA; Fred Thurmond, chief mortgage credit examiner, FHA; Ray Baker, assistant state director, FHA; Clifford Olson, vice president, Seattle MBA; C. R. Jackson, assistant state director, FHA; Frank Nolan, president Seattle MBA; Boland Wilson, secretary-treasurer, Seattle MBA; Earl McLaughlin, chief underwriter, FHA.

OLDEST LOCAL MBA HAS ITS 30th ANNIVERSARY

The oldest local mortgage association in the country—second only to MBA in length of service—the Chicago MBA will celebrate this year its 30th anniversary. Actually it dates back several years earlier. It began in 1916 with MBA Past President Byron V. Kanaley as first president; it was incorporated in 1920. Anniversary date is December 8th.

Byron V. Kanaley
First CMBA Head

Harry Salk
CMBA Head Now

PLAN TO FORM A LOCAL MBA FOR YOUNGER MEN

A plan to organize a Junior Chicago Mortgage Bankers Association open to the younger men in the industry was disclosed by George H. Dovenmuehle, Jr., of Dovenmuehle, Inc: His suggestion was made at the recent dinner meeting of the Chicago MBA devoted to servicing and conducted and presented by younger men from the Association. The possibilities of setting up such a group are now being explored.

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6

TEXAS DOES IT RIGHT: Except for MBA's national convention and our Chicago Spring conference biggest mortgage get-together anywhere is always the Texas MBA annual meeting. This year nearly 500 from all over the state including more than 100 from other sections of the country were on hand for the event. An excellent program done up in the Texas manner and heavily studded with elaborate entertainment features made the meeting another memorable experience for those lucky enough to be there.

No. 1. Noon luncheon. At the head table J. DuVal West, Dallas; H. R. Crabb, Houston; Fred L. Flynn, Harlingen, newly-named president; J. D. Ansley, San Antonio, retiring president; Earl B. Schwulst, New York, president, Bowery Savings Bank; Aubrey M. Costa, Dallas; and Alvin E. Soniat, Fort Worth, vice president.

No. 2. A general session gets underway.

No. 3. Listening to one of those tall Texas stories no doubt. A. H. Cadwallader, Jr., San Antonio; Samuel E. Neel, MBA Washington counsel; John Austin, Jr., Houston; Grant Torrance, Kansas City; Aubrey M. Costa, Dallas; G. R. Swantner, Corpus Christi; unidentified; G. D. Brooks, Nashville; and L. B. Trenchard, New Orleans.

No. 4. A former MBA president greets the incoming and retiring Texas presidents. Byron T. Shutz, Kansas City, and Fred Flynn and J. D. Ansley.

No. 5. On the platform. Dr. James J. O'Leary of the Life Insurance Association of America, a convention speaker; J. W. Jones, Dallas; Mr. Ansley; Rodney M. Lockwood, Detroit, former NAHB president; and Mr. Shutz. The two latter also addressed the convention.

No. 6. Government day at the Convention. Mr. Ansley, Mr. Flynn, Franklin D. Richards, FHA Commissioner, T. B. King, of VA's loan guaranty service and Bertram E. Giesecke.

FRED L. FLYNN ELECTED HEAD OF TEXAS MBA AT BIGGEST ANNUAL CONVENTION OF GROUP

Fred L. Flynn, president of the Flynn Investment Company, Harlingen, Texas, was elected president of the Texas MBA at the Association's 34th annual convention in San Antonio. It was the largest annual meeting for the group with attendance of more than 500 from all sections of the state and considerably beyond. Flynn succeeds J. D. Ansley of San Antonio.

Other new officers are Alvin E. Soniat, Fort Worth, first vice president; H. A. Crabb, Houston, second vice president; J. W. Jones, Dallas, third vice president, and J. Duval West, Dallas, secretary-treasurer.

The following directors were elected: Carroll L. Jones, Corpus Christi; Charles N. Peck, Houston; W. Cecil Sisson, Houston; James J. Teeling, Dallas; J. F. Murray, Dallas; John F. Austin Jr., Houston; S. J. Guthrie, Waco; O. P. Lockhart, Austin; Oakes Turner, Dallas; John Whitmore, Houston; James E. Klaver, San Antonio; A. W. Henderson, Austin; G. R. Swantner, Corpus Christi; Paul Crum, Dallas, and J. Hal Brown, Amarillo.

Flynn is a native of Brownwood and came to the Rio Grande Valley 38 years ago shortly after he graduated from the University of Texas. He first served as principal of the San Benito school.

Nation-wide attention was focused on the Texas meeting because from it

came the tip-off that 505 was on the way out much sooner than the end of the year. The prediction heard at Hotel Gunter by the Texas delegates came true within a matter of days.

Byron T. Shutz, president of Herbert V. Jones & Company, Kansas City, and past president of MBA, in his address told the convention that "we must seek to prevent further encroachment by the government in the mortgage lending field and in public housing.

"Our part in the financing of the residential mortgage may depend largely upon politics and federal legislation."

He pointed out state administrations and candidates for office also explore possibility of using these "socialized proposals" to win votes.

The cheap money policy of the administration was criticized by Shutz, who said conditions recognized by bankers and business men in the government's control of the government bond market are now evident in the mortgage banking field.

Since the advent of Title 6, the percentage of housing construction financed with FHA mortgage insurance has increased immeasurably, he said.

Shutz discussed the high trend of taxation and declared:

"Unless the people of this country awaken to what is actually taking place no one can justify a long range encouraging forecast."

Ample Mortgage Money

Earle B. Schwulst, president, Bowery Savings Bank, New York, said there will be plenty of money for mortgage investments throughout the country; that by reasonable estimate there will be $1,500,000,000 available for such purposes.

Schwulst, once a resident of Sherman and Dallas, said he was trying to interest Texas bankers in establishing mutual savings banks. He predicted a bright industrial future for Texas. Some day in the near future the state will be "an exporter of capital instead of an importer," said Schwulst.

T. B. King, director of VA's loan guaranty service, told the convention that "Congress has made it plain that any money that is loaned for the purchase or construction of housing that is constructed or purchased with the aid of FHA or VA credit support is to be loaned on reasonable terms.

"Excessive charges are to be ruled out."

Franklin D. Richards, FHA commissioner, predicted 1950 will set a new record for home building. He said new construction applications for mortgage insurance totaled over 215,000 for the first three months of this year, compared to only 147,000 in the same months of 1949.

Other speakers were Dr. James O'Leary, New York, director of research for the Life Insurance Association of America; Rodney M. Lockwood, Detroit, past president of the National Association of Home Builders; Rep. Paul J. Kilday; Sam E. Neel, MBA Washington Counsel; William A. Clarke, president, W. A. Clarke Mortgage Company, Philadelphia, and Bertram E. Giesecke, Austin architect and chairman of the U.S. Department of Defense Housing Committee.

GERHOLZ IN EUROPE

(Continued from page 6)

» BETTER PICTURE: Just one hour by air from London, Brussels, Belgium, was like a breath of fresh air in the spring. Of all the European nations involved in the war, Belgium has given the freest rein to the private enterprise system. The contrast in conditions is astounding. Instead of the rationing of poverty as in England, we found plenty to eat and wear, and housing is available. The most serious concern of the Belgian people just now seems to be whether to invite the King back.

A good volume of building by private industry is under way, with the emphasis, as in England and France, on the exteriors of homes. In the United States, we plan from the interior out, but there they plan from the exterior in. Their walls and roofs, consequently, are more durable than ours, but little thought is given to the interior space arrangement and to the conveniences such as heating, plumbing, and lighting. Consequently, their interiors look like the Ford jalopy of the 1920 vintage as compared with the 1950 Cadillac.

There is no need of abstract propaganda about building up Socialism or closing the dollar gap to induce the Belgian laborer to put in a good day's work. He knows that he may lose his job if he is inefficient. There is no "guaranteed work." But on the other hand, he knows too that if he is efficient, he can choose from a wide range of unrationed goods. There is no question in the mind of an observer which system of government and economy works and which doesn't.

One of the few drawbacks about which we learned in our short visit to Belgium was the 12 per cent purchase tax on all types of goods, including homes.

In France more than 30 years of rent control and inflation have left the scars of neglect on the once beautiful city of Paris to such a degree that it is hardly recognizable. All incentive to build has been destroyed, and we didn't see 50 new buildings in Paris, despite the drastic housing shortage and war damage.

Because of the inflation, for example, a rent frozen at 1,000 francs in 1914 would amount to less than $3 today—not enough to buy a good dinner. Owners cannot sell their buildings, and they have become such liabilities that advertisements appear in the papers offering to give away apartment buildings.

★ Ideas about SERVICING

LIFE COMPANIES AND CORRESPONDENTS CAN WORK TOGETHER TO AVOID DUPLICATION OF EFFORT

A Research Committee Report

After completion of last year's research program which resulted in the publication of the MBA handbook, **Mortgage Loan Servicing Practices,** *the MBA Research Committee decided to undertake a long range program to try to eliminate some of the duplication of effort and record-keeping that exists between the life companies and their correspondents.*

Three servicing routines seemed to lend themselves to this study without involving any complications from a legal or accounting viewpoint. Several companies had already put into effect simplified procedures concerning them. In these instances, cost savings had been accomplished by the reduction of correspondence between the investor and agent and by the elimination of duplication in record keeping resulting in almost greater savings for the life company than the mortgage company.

Encouraged by this trend toward the simplification of practices and believing the elimination of duplication would benefit the entire industry, last December the MBA Research Committee sent a questionnaire to those life companies most active in mortgage lending, requesting information on their practices concerning:

- *Settlement of insurance losses by servicing agents*
- *Retention of insurance policies by servicing agents*
- *Handling of tax payments and tax receipts*

The response was excellent. Of 119 member insurance companies, 82 completed the questionnaire and furnished sufficient information to give an insight into their requirements and operating policies in regard to these three practices. Sixteen of 43 non-member life insurance companies polled furnished additional data.

The Committee learned that a greater number of insurance companies than had been expected were already following the routines which the Committee is recommending. Many are those with the larger mortgage portfolios.

All responses were tabulated and analyzed. This report is a factual compilation in which the methods used by companies that have effected the elimination of duplication in these fields and those facts which hinder simplification are high-lighted. It is hoped that this report will stimulate thinking which will result in the elimination of duplication by other life insurance companies in the furtherance of this long range program.

The Research Committee is headed by Guy T. O. Hollyday, Baltimore, chairman, with William I. De Huszar, Chicago, and Howard S. Bissell, Cleveland, vice chairmen, and includes W. C. Keesey and Lemuel J. Holt, Philadelphia; R. B. Patrick, Des Moines; L. Douglas Meredith, Montpelier, Vt.; E. A. Camp, Jr., Birmingham; Fred Holdsworth, Jr., Worcester, Mass.; M. L. Alkire, Chicago, and Fallon A. O'Leary, St. Louis. The report was prepared by Frank J. McCabe, Jr., MBA director of education and research, and the committee.

Settlement of Insurance Losses

Twenty-five per cent of the member insurance companies responding in the study permit their servicing agents to endorse loss drafts. Most of those companies which do not permit this practice are silent as to the reason for their policy. A few companies, however, say that "such procedure would be contrary to our general policies"; or "this would be against our by-laws"; or "contrary to our state laws."

One company said its agents' carelessness in observing requirements rules out all possibilities of relaxing the present restrictions. In contrast, however, many other companies expressed their interest in the idea of allowing their agents to endorse loss drafts. They indicated willingness to take the risk of non-compliance by the mortgage companies rather than to assume the expense involved in handling a large number of loss drafts.

Those companies which permit their agents to act for them in connection with the insurance loss drafts fall into two categories:

- Companies permitting their servicing agents to endorse the loss drafts up to a certain amount; and
- Companies authorizing the casualty insurance companies to omit their names from loss drafts up to a certain amount

1.) The amount of the loss draft the servicing agent is allowed to endorse varies as follows:

Up to $50......2	companies
Up to $100.....7	companies*
Up to $200.....2	companies**
Up to $250.....1	company
Up to $300.....3	companies*
Up to $1,000...1	company (non-member)
All checks......1	company

The insurance company allowing its servicing agent to endorse all loss drafts uses the following procedures: the servicing agent endorses all loss checks for deposit to the insurance company's bank accounts. When the servicers are satisfied that the repairs have been properly completed and that the insurance company's and FHA's requirements have been met, they draw checks on the bank accounts to reimburse the borrowers.

2) Six member life insurance companies and one non-member life insurance company instruct the companies writing fire and extended coverage insurance policies to omit their names from all loss drafts up to a

* Three of these companies actually do not allow all of their agents to endorse loss drafts but each make exception in the case of one of their largest servicing accounts.

**One of these companies is planning to increase this amount to $300.

certain amount. Four companies use the $100 limit and two the $50 limit. One of the companies has offered this arrangement to only one of its servicing agents.

Retention of Insurance Policies

Ten per cent of the reporting member insurance companies at present allow their servicing agents to retain insurance polices. An additional company stated that it would glady allow its agents to keep policies if the State within which the company operates would permit such a practice. A few companies reported that they have this matter under consideration, while some others permit only one or some of their servicing agents to keep policies. This retention arrangement usually applies only to certain categories such as policies for residential loans, policies up to twenty thousand dollars or policies without co-insurance, etc.

In considering this phase of the questionnaire it must be remembered that an additional number of insurance companies would consider this plan if the laws or the rulings of the insurance departments in certain states would not require that the policies be retained by the insurance company and not the agent.

Responses in regard to the existence of laws requiring the deposit of insurance policies either with the state depository or with the insurance company mortgagee were not always consistent, however. In some states insurance companies follow different policies even though one relies upon "State" laws for its decision not to adopt the procedure. This inconsistency is due to an apparent uncertainty among some insurance companies as to what the law actually does require. While in Ohio, Wisconsin, Tennessee, Minnesota and Indiana the law requires that the insurance companies themselves keep their policies; in other states such as Illinois, and Texas this requirement is only an insurance department regulation.

Mortgage companies retaining insurance policies are required to use one of the following two types of insurance certifications:

» Permanent certification (described as the first type of procedure in MBA's *Mortgage Loan Servicing Practices*, pp. 94-95).

» Insurance or renewal certificate (described as the second type of procedure in *Mortgage Loan Servicing Practices*, p. 95).

Four member and two non-member life insurance companies use the permanent certification plan and four member companies use the insurance or renewal certificate plan.

It may be of significance that the above ten companies include several of the largest in the United States. Two of these companies have stated specifically that they felt that under the terms of the servicing contract it is solely the mortgage company's responsibility to see that proper coverage in acceptable companies is in force. The permanent plan—requiring notification only in case of reduction in the amount of coverage—creates the least expense and the least correspondence for both the mortgagee and the servicing agent.

Errors and Omissions Policy

The answers regarding these questions were almost unanimous. Only three life insurance companies require their servicing agents to carry an "Errors and Omissions" policy. One company stated that it usually suggests that its correspondents obtain such a policy.

Fourteen insurance companies responding carry their own "Errors and Omissions" Policy. While one of the companies reported its intention to drop this policy, four of the insurance companies indicated their intentions to consider the purchase of such protection.

One insurance company reported that the necessity of obtaining an expensive "Errors and Omissions" policy themselves or insisting that the agent obtain one kept them from allowing their agents to retain the insurance policies.

Handling of Tax Payments and Tax Receipts

It is interesting to note that while on the questions relating to insurance procedures the majority of answers received have been negative, on questions relating to taxes the "ayes have it."

Eight per cent of the companies permit their agents to certify that taxes were paid. Twenty per cent of the companies on the other hand either require that the actual receipted tax bills be forwarded for inspection or permit the certification procedure to only one or two of their correspondents. Two insurance companies reporting employ a professional service for their tax work.

Only 12 insurance companies require that certification be made on all tax bills by a listing of each paid tax item. All the other companies accept a certificate stating that taxes have been paid on all loans except those listed.

Those who said "no" maintained that certification is "unreliable," "is the source of too many errors," while those who said "yes" asserted that, even if there are errors, they do not create a "big problem." The latter companies evidently felt that the cost-

(Continued page 21, column 1)

YOUNGER CHICAGO MBA MEN PUT ON A MEETING

The younger generation in the Chicago mortgage field took over at the Association's recent meeting on servicing, collections and delinquencies. The young men organized and conducted the session and supplied the speakers from their own ranks. Result was a thorough professional analysis of conditions today in these departments, what is likely ahead in collections and how to deal most effectively with delinquencies. Not that there was general agreement on all counts—in fact, there were sharp differences of opinion as to just how aggressively a lender should watch his accounts. The school of thought that says a set schedule of reminder letters should be employed for late payers was disputed by some in the belief that probably too much wasted effort is involved.

George H. Dovenmuehle, Jr., of Dovenmuehle, Inc., was program chairman and conducted the session while William I. De Huszar, treasurer of the same company and author of MBA's *Handbook on Mortgage Loan Servicing Practices*, moderated the discussion. Speakers included Emil Seliga, Talman Federal Savings and Loan Association; Richard Delaney, Percy Wilson Mortgage and Finance Corp., and Harry Prescher, Greenebaum Investment Company.

In preparing the program, the group surveyed all members of Chicago MBA to get a broad picture of how members are handling collections and the methods they employ. Mr. De Huszar reported the findings at the session.

"As far as borrowers records are concerned, one-third of the companies use passbooks, one-third use monthly payment notices, and one-third nothing at all although a few send payment receipts. Two companies use the coupon book system," De Huszar said.

"Most companies send their past due notices in about five to fifteen days after due date. Companies which use the payment notice system can send the duplicate of the payment notice as a reminder and thus have a speedier follow-up than those which have to prepare past due notices from the cashier cards.

The young Chicago group that organized and executed the servicing meeting. Seated, left to right, Harry Prescher, William I. De Huszar, moderator, and George H. Dovenmuehle, Jr., program chairman. Standing, Emil Seliga and Richard Delaney, panel members.

"Use of form letters is not too prevalent. Most companies mail reminders and past due notices which, if necessary, are followed by individually written letters. Of those reporting, only six use collection envelopes.

Rely Principally on Notices

"Member companies rely on past due notices rather than on phone calls to urge delinquents to pay. Phone calls, it seems, are used by most companies only on special occasions or only to induce those borrowers whose payments are at least two to three weeks past due.

"Half of the companies reporting make calls at the borrower's home, the other half either prefer to have the borrower come into the office or have had no delinquencies which would have warranted this collection effort.

Harry Salk of the American National Bank and Trust Company and Chicago MBA president, and H. F. Philipsborn of H. F. Philipsborn & Co. and the Association's program chairman, take it easy at the Chicago meeting while the younger men run the show.

"Sending of telegrams is not a regular practice in Chicago. Only a few companies send telegrams in cases where the borrower has no phone and he fails to respond to letters and notices.

"Those mortgage companies with large servicing portfolios prefer phone calls and personal interviews if the automatically mailed past due notice does not bring results.

"Quite a number of companies have not yet evolved a so-called follow-up record system. It is possible that they have had no need for it yet. Others either use the unpaid cashier cards or use the copies of the unpaid payment notices for follow-up records."

HOW SOUND?

(Continued from page 5)

the present three years to a longer period, to encourage savings banks to acquire a larger proportion of mortgages enjoying insurance protection.

We will be less than realistic if we do not ready ourselves for losses whenever the building boom has run its course and economic conditions generally become less favorable.

INSTALLS MOBILE PHONE UNITS IN APPRAISERS' CARS

If anyone has the idea that this isn't a fast-moving period in the mortgage business, let him turn his attention to The Western Savings Bank of Buffalo where he'll find a really fast operation. This institution found that nine of ten mortgage applications requested "rush" action so that's what the Bank is doing — rushing them through. It has just inaugurated a new service by installing mobile telephone units in three cars of its appraisers. This permits them to keep in constant touch with the office. The new facilities help speed up service, saves the time of inspectors, cuts down gasoline consumption and avoids duplication of inspection trips throughout the city. William H. Colestock, vice president, says that brokers, builders and attorneys have received the new service with great favor.

The same service may have been inaugurated elsewhere and the Farmers and Mechanics Savings Bank in Minneapolis has something similar. This ultimate in speeding up decisions caused Secretary George H. Patterson to speculate as to how many appraisers were using the land poleroid camera in taking pictures so that the prints would be ready when they got back to the office. No doubt a lot of firms have been doing so for some time.

RESEARCH REPORT

(Continued from page 19)

saving is in proper proportion to the risk taken. A few companies on the other hand reported that the matter of tax certification was considered but rejected.

Most of those companies who rely on the agents' certification that taxes were paid, spot check the agents' tax records during the annual audit.

Conclusion

The responses indicate that an ever growing number of life insurance companies are giving considerable thought to eliminating some of the duplication of effort and record keeping in mortgage loan servicing. This indicates that real progress is being made in our long range research program. Twenty-eight companies already permit their servicing agents to endorse loss drafts up to a certain amount or permit their name to be omitted from the draft which in effect accomplishes the same purpose. These companies include many of the life insurance companies with the largest mortgage portfolios.

Although a smaller number of companies permit their agents to retain the insurance policies many of the companies with larger mortgage holdings are included. It is interesting to know that the Federal National Mortgage Association also now permits its servicing agents to keep insurance policies. Very few of the companies require "errors and omissions" policies. Of all the companies who permit the servicing agent to keep policies only two had errors and omissions policies. One of these stated in its return that it is dropping its coverage now.

Two main reasons have been given by companies for rejecting these cost-cutting routines. "Our by-laws won't permit it," was the answer given most often. By-laws are not fixed. In most cases they can be changed quite easily. If the idea is good, and those companies which have adopted one or more of these methods have done so only after considerable study and analysis, there is no reason why those by-laws preventing adoption cannot be altered.

Some companies report that state laws do not permit such delegation of authority. This might be true in some cases. However, while officials of insurance companies in one state expressed their inability to adopt any of the cost-cutting procedures stating that the law would not permit them to do so, other insurance companies within the same state have long ago adopted these same routines. State supervision authorities are human; and if they were convinced these routines are for the good of the mortgage business, they would co-operate in getting the laws changed.

Some of the insurance companies which do not give a very free hand to their correspondents in the matter of insurance policies and loss drafts rely on their agents to a much greater extent in tax procedures by accepting tax payment certification.

The Research Committee urges all life insurance companies to give careful consideration to the cost saving possibilities of these procedures. But the full responsibility does not rest solely with them. The success of any program, having as its aim eliminating duplication of effort and record-keeping in mortgage loan servicing, requires the cooperation of both servicing agent and investor.

If we are to make progress in that direction, loan correspondents must be prepared to assume greater responsibilities. This is a fact which we hope correspondents will recognize.

First Mortgage Census Gets Underway Soon

For the first time the industry will get some facts about itself that before it's had to guess at; mortgage men everywhere should cooperate in this undertaking

Complete and accurate information on the outstanding characteristics of mortgage debt on all types of residential property will be provided by the Survey of Residential Financing to be conducted this Summer by the U. S. Bureau of the Census as part of the 1950 Census of Population and Housing. MBA member cooperation will be needed. This is an important milestone in developing much needed statistical data within our industry.

The survey will be conducted on a selected sample basis in 696 counties. Large rental properties located outside these counties will be covered also. Approximately 100,000 owners of mortgaged properties occupied all or in part by owners, and about 250,000 rental property owners will be covered. Statistics will be published for the United States as a whole, for four geographic areas, and for 25 of the larger standard metropolitan areas.

Schedule forms will be mailed to property owners about June 14 together with a letter of explanation which will include a request that the form be filled out and returned to the local census district office. Two follow-up letters will be sent before trained enumerators start calling upon non-respondents. Later in the Summer, lending institutions and other mortgage holders will be canvassed by mail for the purpose of supplementing the data obtained from the owner and also to verify the more pertinent information about the mortgage.

Representatives of mortgage banking, savings and loan, real estate, insurance, and allied interests participated in formulating the schedule form to be used in the survey. Membership of the special advisory committee for the survey included L. Durward Badgley, Mutual Life Insurance Company of New York; Dr. Irvin Bussing, mutual savings bank statistician; J. R. Dunkerley, of ABA; Dr. Ernest M. Fisher, Columbia University; Edward E. Edwards, Indiana University; Edward Crowder, Bureau of the Budget; Dave Lowery, Housing and Home Finance Agency; Frank J. McCabe, Jr., of MBA; David C. Melincoff, Federal Reserve Bank of Philadelphia; R. L. Saulnier, National Bureau of Economic Research, and Ramsay Wood of the Federal Reserve System.

Several types of information will be provided by this survey. It will supply a measure of the total outstanding mortgage debt on residential properties and the distribution of this debt between owner-occupied and rental properties and among the various types of mortgage holders. The survey will cover not only mortgages but also related types of instruments, such as sales contracts, land contracts, and mortgage bond issues.

The survey will also supply data on the characteristics of the residential mortgage debt. It will show the mortgage payment pattern, the interest rate, the terms of mortgages, the extent and kind of junior mortgages, and will supply a comparison of insured FHA and VA mortgages with conventional loans.

The survey will also show the relationship between mortgage character-

istics and the characteristics of the mortgaged property. This will include the relationship of outstanding indebtedness to value of property and the relationship of rent receipts to mortgage payments. It will indicate the variation in mortgage practices with different types of residential properties. For owner-occupied properties the survey will indicate variation in residential financing practices with the various characteristics of the borrower, including his age, major occupation groups, and veteran status. It will also indicate the relationship of amount of indebtedness and mortgage payments to the family income of the owner-occupant.

A review of residential financing indicated that there is a vital need for data in this field. Information on the salient features of residential mortgage indebtedness will permit a better understanding of its impact upon private institutional lending practices and upon government activities. Such information will enable those so interested to analyze the adequacy of credit facilities throughout the country and the effectiveness of government loan insurance programs. It will also enable government agencies and congressional committees considering legislation related to residential construction and its financing to assess the soundness and risks of the current situation and provide a benchmark from which to judge future developments.

Pre-tests of the forms and procedures to be used in the Survey of Residential Financing revealed that many of the borrowers, after receiving the questionnaire, requested lenders to provide some of the answers. For example, some did not know the term of their present mortgage. Some did not know the face amount of their mortgage while others did not know the interest rate they were paying. Some did not even know who held their mortgages. Lenders may expect to receive a considerable number of inquiries from borrowers when the main survey gets underway in June.

NEW LIFE *for* the 501 LOAN

By T. B. KING
Director, VA Loan Guaranty Service

With 505 on the way out, a rejuvenation is in store for 501, says this top VA authority. He also makes the point that the direct lending provision is going to be used only where absolutely necessary

I HAVE heard some apprehension over the availability of production credit to finance veterans housing as a result of the new Housing Act of 1950. Elimination of the 505(a) loan and the inability of lenders to obtain further commitments from FNMA have been cited as handicaps which will deny production credit to many builders who seek to build for the veteran market.

Cause for such apprehension is greatly narrowed if one looks to section 215 of the new act. That section recognizes the production credit problem by authorizing FHA to process applications and issue commitments even though the units involved may ultimately be financed with the proceeds of a GI loan. To compensate FHA for costs not covered by its present application fee, the provision authorized the charging of an additional reasonable fee. Acting upon this authority, the FHA has already issued regulations to its field offices putting into effect the intent of the new law. These regulations provide for a $45 fee to all applicants, with $25 to be refunded in the event that FHA insures the permanent loan. The new fee schedule should enable builders and lenders to use the FHA commitment as a support to obtain construction financing, and still sell all or a substantial portion of the completed units to veterans with low cost GI loans.

Availability of first mortgage GI loans to veterans will also be greatly enhanced by the recent FHA action reducing its maximum interest rate from 4½ to 4¼ per cent. We have had a situation where the government

with one hand has been exhorting home financing institutions to make 4 per cent loans to veterans, and at the same time with the other hand has courted them with a more seductive 4½ per cent rate. In that set of circumstances it is not difficult to understand the lack of enthusiasm for GI 4 per cent loans which many lenders have displayed over the past year or two. By virtue of FHA's recent action, a differential in rate still exists, it is true—but it has been narrowed to the point where the interest rate is much less likely to be the compelling determinant in the choice of investment alternatives.

We are now witnessing a rejuvenation of the 501 loan. There are three reasons for it:

» *First,* there are the huge accumulations of funds seeking investment outlet.

» *Second,* there is the fact that yields on outlets alternative to the VA guaranteed 4 per cent loan do not offer any more acceptable—and many less acceptable—investment media.

» *Lastly* there is the demand of the veteran himself for a GI 4 per cent loan, which in its turn induces the builder for competitive reasons to make 4 per cent financing available to him. Nothing appears on the horizon which betokens any material change in that order of things.

There is one provision in the new bill which has a particular fascination for the home building and home financing industry. It's the section which authorizes and directs the FHA and VA to regulate fees and charges in connection with GI and FHA financing. The law directs the extension of that control not only to fees and charges for the guaranteed or insured loan itself, but also to charges imposed at other stages of the financing process. This fiat brings the housing agencies of the government into an entirely new field. It poses delicate administrative problems to assure that measures taken to minimize excessive charges may not prove unduly harsh and disruptive to the home building process.

All I can say now is that VA, FHA, and the Housing and Home Finance Agency are attempting to work out a coordinated solution to the problem which will achieve the objective desired without harmful effect upon the availability of home financing credit on reasonable terms.

On the direct loan, I have little to say at this time. VA has until July 20 to get it started and it will not be effective in any area in which adequate private financing appears to be available. In any event, the authorization of $150 million would seem to compel husbandry to a high degree or the cupboard may be bare in short order.

It is my sincere hope that all of the factors strengthening the investment appeal of the 501 loan will act to neutralize the need for supplemental direct lending except perhaps in those isolated towns and communities where low cost mortgage financing has never been generally available. I am confident that in most areas of the country private lending institutions will be able and willing to make an ample supply of credit for GI loans available to qualified veterans for home purchase and construction.

But in shaping GI loan investment plans for the remainder of this year, however, it is imperative that lenders continue to make loans only on a sound basis to veterans whose prospects for repayment measure up to adequate underwriting standards. I say this with the full realization that lenders are subject to a series of pressures, both economic and social, which clamor for more and more lending on a more and more liberal basis.

I think that lenders should make every effort to extend the low cost benefits of GI financing to veterans who are qualified to assume the financial burden they propose to undertake. Some no down payment loans will be added to portfolios, and a number of loans for the 30-year maturity now permissible. But loans on such terms would be advanced only on a selective basis in those cases where the veteran's income and other conditions offer favorable prospects of repayment.

It is my conviction that the same investment policy I am advocating for lending institutions should govern the disposition of the $150 million which will soon be available to the VA for standby loans. To the best of my ability I promise to labor to prevent the making of direct loans except where it appears necessary in a particular area to fulfill the dictates of the law, and then only to qualified veterans who can demonstrate a legitimate inability to obtain 4 per cent financing from private capital sources.

FOURTH BOLTON HEADS LOUISIANA BANKERS

Robert H. Bolton, executive vice president, Rapides Bank & Trust Company, Alexandria, La., and in charge of the institution's mortgage loan department, was elected president of the Louisiana Bankers Association at the annual convention—but that's just a part of a highly unusual chain of events in a Southern banking family extending back a long time.

Robert H. Bolton

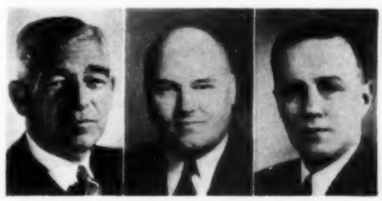
The Louisiana bankers at this meeting celebrated their 50th Anniversary. The founder of the Rapides bank, who was the first president of the Louisiana Bankers Association, was Robert H. Bolton's grandfather, Col. George W. Bolton. Later Robert's father, J. W. Bolton, the second president of the bank, became president of the Louisiana Bankers Association; and still later his brother, James C. Bolton, the third and present president of the bank, became president of the Louisiana Association.

Robert H. Bolton, by becoming president on the 50th anniversary of the Louisiana Bankers Association, is the fourth member of the immediate Bolton family to serve in this capacity.

The bank has been a leader in the field of mortgage loans since 1888. Its mortgage servicing department, under the direction of Mr. Bolton, is originating and servicing one of the largest volumes in Louisiana.

ABOUT PEOPLE AND PLACES

Herman Van Maanen has been elected assistant vice president of the First National Bank in Dallas, Ben H. Wooten, president, announced. Mr. Van Maanen is well known in real estate circles of Dallas and the Southwest, having been associated with some phase of the real estate business in Dallas since 1934. In 1937 he entered the firm of Henry S. Miller & Company, Realtors, and two years later joined Prudential where he was in the mortgage loan department. He was former vice president and immediate past president of the Dallas MBA.



Mr. Case Mr. La Pointe Mr. Shugrue

CHANGES: Left, Ralph E. Case, of Stevenson, Jordan & Harrison Inc. named a trustee of Title Guarantee & Trust Co., New York; center Alexander E. La Pointe, Title Guarantee & Trust Co., New York, named a director of Bush Terminals Buildings Company; and right, Frank R. Shugrue, newly-named manager of the mortgage section of Bankers Life Company of Nebraska, Lincoln.

Irving Trust Company, New York, announced the promotion of Grant W. Van Saun from assistant vice president to vice president. Mr. Van Saun is engaged in construction loan activities in the bank's mortgage and real estate division.

Maurice R. Massey, Jr. who addressed our Chicago and New York conferences this year, and speaks again at our Seminar, has been elected president of the Peoples Bond and Mortgage Company, Philadelphia. He is a former assistant FHA commissioner. . . . Members will be glad to hear that Elmer H. Grootemaat of Milwaukee who headed the MBA FHA committee this year and has recently been ill, is well on the road to recovery. . . .

Clarence H. Goelzer resigned from Ward Farnsworth & Co., Chicago, to become assistant manager of the mortgage loan departments of Continental Casualty and Continental Assurance companies.

PICTURES ARE WHERE YOU FIND THEM: And out at the Broadmoor Hotel in Colorado Springs recently a group of mortgage and insurance men got together; and had you arrived at the Hotel without advance warning, you would have concluded that a MBA Clinic or Convention was just getting underway. Occasion was a meeting of stockholders of Paramount Fire Insurance Company now aligned with Pacific National Fire Insurance Company.

No. 1 shows a group seen only at MBA meetings—seven past presidents of MBA at one time. Left to right. Dean R. Hill, Buffalo; Ennis E. Murrey, Nashville; Byron T. Shutz, Kansas City; Owen M. Murray, Dallas; W. Walter Williams, Seattle; Aksel Nielsen, Denver; Guy T. O. Hollyday, Baltimore; and Frederick P. Champ, Logan, Utah.

No. 2. W. B. Winchell, Pacific National vice president; Fred L. Flynn, Harlingen, Texas, new president of Texas MBA; Mr. Murrey; and Robert S. Beachy, Kansas City, an honorary life member of MBA.

No. 3. Mr. Murray again with Orville Hodge of Granite City, Ill., a long-time mortgage man who also doubles at being the minority whip leader in the Illinois House of Representatives. He recently was guest speaker at the St. Louis MBA meeting.

With attendance of 225, of which about three-fourths were MBA members, the meeting had a mortgage-meeting look about it. For diversion, there were mountain tours, dancing and a banquet at which former Governor Ralph Carr of Colorado was the speaker. A breakfast session featured the showing of color movies taken by G. R. Swantner of G. R. Swantner Investment Co., Corpus Christi, Tex., on his African safari last year. MBA member Swantner took a two months' trip to the wild animal country of Kenya colony.